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EDITED TRANSCRIPT

ADM - Archer Daniels Midland Company Conference Call to Discuss Oilseeds Business Review Presentation

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OVERVIEW:
ADM updated about its Oilseeds business.

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PRESENTATION

Juan Luciano ***- Archer Daniels Midland Co. - EVP, COO***

Morning, I am Juan Luciano and I would like to thank you all for joining us in Hamburg. Pretty pleased to be here with you today to describe our oilseeds business.

Really have a great agenda we put together, a combination of presentations, some material that you see in the back and a planned tour. And I think this will provide you the opportunity today to take a deep dive into our global oilseeds business. And perhaps more importantly, have the opportunity to interact with the wonderful management team that runs the business.

The way we're going to start this, I will provide a brief introduction on ADM, cover some of the trends that we're facing in the agricultural industry, and how we are positioning our strategies to capitalize on those trends. After that, I will turn it over to Matt Jansen, the global oilseeds president, and he will be joined by Greg Morris, who will cover North America, Valmor Schaffer, who will cover Europe, our host and President of Europe, Brent Fenton, who will cover Europe and subcontinent India.

Then after that we will have a Q&A, where we'll be joined by our CFO, Ray Young, our Chief Risk Officer, Craig Huss, and Corporate Strategy Vice President, Dwight Grimestad. And we have a new addition to the team and I would like to welcome Ruth Ann Wisener as a vice president for investor relation. Welcome.

Today's discussion is obviously covered by our Safe Harbor statement, which you can read on the slide, or on our website at www.adm.com.

For those of you listening on the webcast who may not be that familiar with ADM, I would like to present some key facts about our business. Our fiscal 2011 revenue was $81 billion. We operate more than 665 facilities, 400 origination and about 265 processing units. We serve customers in over 160 countries. And our market cap is slightly above $20 billion. On the right-hand side, you can see the three key businesses that we have, oilseeds processing, corn processing, and ag services. And the respective percentage of profit from the $4 billion of OP, the business generated in 2011.

Now let me show you how we are positioning our company to capitalize on these global trends. While the world is experiencing volatility, there are some things that are very certain when you look at the demographics and you realize the global population is growing by 500 million people every decade and are probably witnessing the biggest change in standard of living that we have witnessed in many generations.

You have these people increasing their standard of living and obviously increasing their diets and consuming much more protein. Many of our large customers are advancing strategies to serve these growing needs, particularly in Asia. Our business, including our oilseed business is aligned with those strategies.

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In this favorable long term environment, we are expanding our core model. This is our core model, our value chain. We buy crops from farmers, you can see the primary crops on the left. We move crops through our global transportation network and either sell them as crops or process them into ingredients for the food and feed industry or biofuels and industrial products. That's the core model that's grown over the last century and continues to evolve.

Now let me show you how we're planning to continue to leverage this core model to capitalize on growing opportunities. I think some of you have seen this chart before. The top of it describes the regions where we're active, and the left side highlights the business activities. Orange boxes represent the strategic priorities.

This is like South America, Eastern Europe and China that are growing and producing regions, we are focusing on growth. In other regions, we're optimizing our operations. In short, we're making sure that our growing global network fits a growing global population.

Maybe let me give you an example of one of them in particular, the Wilmar partnership. You might recall that during our presentation at CAGNE in February, we announced that we had signed an MOU with Wilmar to partner in the areas of ocean freight, fertilizer, and refined oils. We believe the partnership will leverage our strengths in origination and distribution of fertilizer, save cost in fleet management, and optimize our refining capacity in Europe.

We're pleased to let you know that our partnership in this area is progressing well. Earlier this month we signed definitive agreements to move forward in this venture, and since then, both companies are preparing for the implementation process. We're excited about this venture and about our entire strategy of growth faced with a growing, changing world.

Now, Matt and his team will take you through our oilseeds business in more detail, region by region. Matt?

Matt Jansen - ***Archer Daniels Midland Co. - SVP, President - Global Oilseeds***

Thank you, Juan, and welcome, everyone, to Hamburg. I'm very glad to share with you the oilseeds division and our business overview. We're very near our oilseed crushing plant in Hamburg that we passed last night. That's the largest of its kind in Europe. And I'm sure this afternoon, as you get a chance to visit that plant, you'll gain a better appreciation for what we do there.

I'll begin this morning by giving a general overview of our global operations and I'll talk briefly about what we do in China. And my objective is to share with you a footprint of our global assets. We'll talk a little bit about our recent earnings history. Then I'll touch on some of the overarching trends that are shaping our industry across the globe.

I'll introduce to you some of the specialty businesses that we have within our portfolio that are higher margin product lines. And finally, I'll talk about our global strategy. and our global strategy is about extending -- or expanding our geographic footprint, it's growing our higher margin business, and it's increasing our productivity and efficiencies through operational excellence.

So, this map shows an overview of our global asset base, which is unparalleled in the -- in our industry. And we're very well positioned to meet market demand. We have the capacity to process over 100,000 metric tons of oilseeds on a daily basis, and we are the top three in the global processors with top positions in North America and in Europe.

Our business unit has over 130 processing facilities across the globe, many of which are crushing plants. About half of those are oilseed -- oil refineries, packaging plants, biodiesel plants and higher margin businesses, especially proteins, vitamin E, lecithins and even sterols. We participate in China, largely through our participation in Wilmar. But we also do a lot of business in China selling to customers soybeans, rapeseeds and products.

Bear in mind that in North America, we are primarily a processor, and many of our origination and export facilities are under the ag services division. While in Europe and in South America, much of our origination is -- was within the oilseeds division together with the crushing plants and other processing plants.

Through this network we can ship and source and process products virtually anywhere in the world. Taken as a whole, this integrated network, along with our insight and exceptional experience to manage the market dynamics, enables us to efficiently and cost effectively connect growing supply and growing demand around the world.

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Touch on OP just for a minute. You can see roughly two-thirds of our OP comes from crushing and origination. About a quarter come from refining, packaging, biodiesel and other, and approximately 10% to 15% come through our relationship with Wilmar. Last year OP exceeded $1.5 billion. That included a $71 million gain related to the acquisition of the remaining 50% of Golden Peanut.

And after six months, this year we're at $432 million and, as we discussed in our recent earnings calls, this year's slowdown reflects margin challenges that are dragging the market down as a whole. But we are confident that our efforts to grow our market presence and earnings power are positioning us to make the most of some of the undisputable trends that are shaping the global supply and demand base. And I'll talk a little bit more about those trends here in just a minute.

Risk management represents a critical aspect of our business and it's one of ADM's core strengths. Beyond the basic supply and demand picture that influences our business and everyone else's. We have to account for variables such as macroeconomic conditions, FX and even speculative interest. These are all external factors that impact price of commodities every day, and we work hard to manage them effectively.

But ADM benefits from having boots on the ground around the world and house experts who have firsthand, real-time knowledge. Everything from soybean yields in Mato Grosso to feed grain demand and pork and poultry customers in China, South America, North America and Europe.

We know what growers are growing in South America, and we know what buyers are buying in all parts of the world. And we talk as a global team throughout the day, nearly every day, to ensure alignment among our teams. This enables us to make timely, well informed decisions and to capitalize on emerging opportunities. Our belief is that having the right information is just part of the equation. How you interpret that information and what you do with it that makes the difference.

Some of the major factors working in ADM's favor are certain indisputable trends that are shaping the world around us. I'm talking first and foremost about the growth in population, which is expected to grow by 2 billion people between now and 2015. We see this as an opportunity. Two billion people who will need more food and energy to live. Some of this growth will be in North America, which is projected to be in the low single digits. South America is estimated to be twice the rate as North America.

Growth in Asia will be massive, an estimated 41%. Increasingly affluent population is expected to rely heavily on agricultural production in North America, South America, and Europe. This demographic inevitability gives us the confidence to continue pursuing our growth plans as we define them.

A growing number of mouths to feed along with rising incomes in China and Asia is enabling millions of consumers to enjoy better diets. We've seen in the past two decades the world's population grew by 32%. We experienced a near doubling in demand for both oilseed meals and oils.

Soybean meal demand has grown 161%. Oil consumption has grown by about the same percentage. Palm oil demand has increased more than threefold. During this period poultry consumption has increased 131%. And we've seen about a 60% jump in pork production. Again, we've got more people eating better and more food. This is another industry trend that supports ADM.

So now let's turn to the supply picture. North American production has been relatively modest in recent years. South America, on the other hand, is continuing to supply an increasing percentage of the world's soybean production. Production there has been growing at 5% compound annual rate, and we expect this trend will continue, making this the region's leading soybean producer. As you saw from the first map and Valmor will discuss in a few minutes, ADM is particularly well positioned to capitalize on this fact.

Here's a summary of our regional look at ADM's market share. The size of the pie reflects the relative size of each region's crush market. The orange slices represent ADM share, dark green slices represent other large players, and the light green slices correspond to smaller regional players. You can see that when it comes to soybean crush, some market are far more consolidated than others, which illustrate it's why our growth strategy is different by region.

North America, for instance, is more consolidated than either South America or Europe. South America is comparatively fragmented, which offers opportunity for further consolidation. And Europe is more like North America in terms of the mix of bag of industry players versus smaller operators. China is comprised of both larger and smaller operators.

And as I mentioned a moment ago, it's a market where we participate largely through Wilmar, and growth in our Chinese oilseed business will continue to come primarily through Wilmar. However, we also are growing our export businesses into China. Today, for instance, we supply Chinese customers with soybeans, canola and oilseed products. We expect this trend to continue as well.

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Overall, the less fragmented the market is, the better the margin environment will be, especially when capacity utilization is in balance. Our geographic growth strategies are designed to capitalize on this dynamic.

Now, the scenario for global rapeseed production is almost literally a world apart. Here, while the CAGR is running at about the same rate as global soybean production, the real difference is where the growth is coming from. In this case it's primarily Canada and the EU. Not coincidentally, these regions are where our existing rapeseed crush plants are concentrated.

We've been growing our origination and processing operations in central Canada and in Eastern Europe. Most recently through the expansion of our [Lloyd Mystery] Alberta complex to which we're now adding a biodiesel plant, our acquisition of three grain elevators in Slovakia, as well as the most recently announced acquisition of Elstar Oils in Poland.

This map outlines our global rapeseed crush presence. Again, the orange slices represent ADM's market share, and the green slices represent the other large industry participants. You can see North America is, once again, fairly consolidated. The real opportunities for consolidation are in Europe, which should give you a sense of why we acquired the oilseeds business in Poland that we announced last November.

Elstar Oils was previously a traded -- a publicly traded company listed on the Warsaw Exchange. And after receiving all the necessary government approvals last year, we were able to finalize the acquisitions, which gave us full control of a rapeseed crushing plant, refinery and fully automated biodiesel plant. These operations are now integrated into our global asset network, and Brent will tell you a little more about that here in just a few minutes.

As I mentioned earlier, in addition to our crushed business, our division is actively working to grow its higher margin product portfolio. Today we produce a wide range of specialty food ingredients and renewable industrial products from our basic oilseed building blocks. Some of those items are depicted on the slide here, and many samples on the table behind you represent some of the products that we're producing, including lecithin and even protein concentrates.

Although these businesses don't have much visibility, their earnings are meaningful, not only as a percent, but also in their stability. So I want to take a little bit more time to talk about each of these businesses.

I know that most of you understand the basic idea of crushing. It's oilseeds in and meal and oil out. In reality, there's a whole lot more to our business. We process not only soybeans and rapeseed, but also sunflower, cotton seen, flax and peanuts. And we produce over 60 unique products.

As you see here our liquid crude oil stream allows us to produce a variety of higher margin products such as shortenings, margarines, vitamin E, sterols and biodiesel. Similarly, on the meal protein side, we're able to refine or texturize the product to make a range of higher value, higher margin food grade ingredients, broad range of food and industrial applications. The soy flour, concentrates and isolates, as well as textured vegetable proteins.

I mentioned earlier you don't have a whole lot of visibility in these product lines, but they're meaningful in the context of our entire portfolio. It's a complex and integrated business model and you will hear more from Greg, from Valmor and Brent of how these business models vary by regions.

No other industry player has a broader oil portfolio than ADM. Our total product portfolio encompasses much more than our soybean and canola value streams. Because we produce many of the world's most widely used vegetable oils, we have the opportunity to partner with our customers to create unique, customized solutions.

Our food customers continue to look for ways to offer products that meet high consumer standards for taste, texture, better nutritional content so that ADM are often the go-to player when it comes to proprietary formulations and innovative blends. For example, our R&D department was able to develop a unique oil blend for leading global food companies.

This blend helped us customer not only hit their nutritional target, but also helped the customer keep the same consistent quality in the end, and the product remained price competitive. The takeaway here is that the breadth of our product offerings gives us the ability to optimize our value chain of our existing product portfolio.

As I mentioned at the outset, our overall growth strategy for global oilseeds involves expanding our geographic footprint, growing our higher value businesses, operational excellence through a focus on productivity and efficiency. Broad global trends driving demand for our products, with our well located assets, strong risk management capabilities, various product portfolio, have helped shape our regional strategies.

In largely mature North America, we're focused on getting greater value from our existing assets and on developing new sources of revenue, primarily through opportunistic acquisitions and by growing our higher margin businesses.

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In high growth South America, we're working to expand our origination, transportation and processing capabilities, including our fertilizer and biodiesel capacities. We're accomplishing this through select acquisitions, greenfields, like the plant in Paraguay that's now under construction, and by increasing our existing plants' capacities.

Eastern Europe, which remains largely unconsolidated, we're focused on acquiring new capacity and increasing our existing capacities, while in Western Europe we're working to find areas for opportunistic consolidation, increasing our base business and optimizing our existing asset base.

Finally, in Asia, we're focused on increasing our capacity in India, both through acquisition as well as upgrading our assets. And in China we'll continue to expand our relationship with Wilmar through efforts such as the MOU that we recently signed that Juan mentioned on ocean freight, tropical oils and fertilizer. But equally, we continue to expand supply to China with this raw materials, soybeans, canola seeds and products.

We believe these various approaches, leverage ADM's core strengths in each region, and provide us with platforms for growth tailored to the most promising opportunities around the world.

Now Greg Morris will give you a closer look at our North American business, and after that, Valmor will touch on South America, followed by Brent on Europe. Greg?

Greg Morris *- Archer Daniels Midland Co. - VP - NA Oilseed*

Thanks, Matt. I'm glad to have this opportunity today to outline our North American businesses for you.

Our operations in North America are highly complex and they're well integrated. We're focused on driving higher margins through optimizing our crushing businesses, by expanding our specialty products businesses. So in the next few minutes I want to give you an overview of the businesses that reside in the region. I'm going to talk about some of the fundamental drivers of our businesses. Then I'm going to talk about our strategic objectives for each of the businesses.

So let's start with a closer look at the various businesses that fall under the North American region. ADM oilseeds operates 67 production facilities in North America. Many of our facilities are integrated so we can take advantage of shared resources. The businesses fall into two main sub-segments.

First is crush and origination. These are businesses like soybean crushing, canola, sunflower, cotton seed, flax and peanuts. Second group is our specialty products businesses. In this group we take a product stream from the crushing business and further process it into a higher valued product. This group includes businesses like refined oils, biodiesel, proteins, lecithin, cotton cellulose, natural health and nutrition. I'm going to cover each of these businesses in a little more detail. Start with some of the drivers that impact our crushing business.

As this chart illustrates and as Matt mentioned, US soybean production continues to increase, but at a rate that's slower than South America. US production has grown at about 2% a year over time. With the exception of 2006, acreage has been relatively flat, between 72 million and 77 million acres. Yields have increased, though, about a half a bushel an acre per year over the past two decades.

Demand patterns are shifting. Today, about half the soybean crop gets crushed and about half the crop gets exported. Exports are taking a larger share of the US soybean production. Chinese import demand for soybeans is driving the increase in exports. This is a dynamic environment. We're being plugged into a global business and having that firsthand, real-time information that Matt spoke about is particularly important.

ADM's Ag Services group is one of the largest exporters of soybeans from the US. Their insights and on-the-ground knowledge of these trade flows help us form solid market opinions so we can better manage our risk positions.

Turning now to North American canola production. In the past decade, canola seed has been in great demand for both crush and exports. With the increasing Canadian canola acres yields production has been able to keep up. Average growth rate in Canadian canola production is about 7%. Acres have increased and we expect nearly 20 million acres to be seeded this year. Yields have also improved to the tune of about a bushel an acre over time.

You can also see that crush has doubled in the last 10 years. Canola seed is a higher oil bearing seed, and so it's benefited from the recent oil led markets. At the same time, canola seed exports have grown as well, led primarily by Chinese buying. The key takeaway here is that while canola demand is growing, Canadian farmers are answering the call by planning additional production.

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Now while soybean demand is driven equally by crush in exports, soybean meal demand is driven primarily by domestic consumption. Domestic consumption is down 9% from the highs of 2006. Due to an increase in production of alternative proteins driven -- particularly distillers dried grains, or DDGs. DDGs are a co-product produced in the ethanol production process.

Going forward, the USDA expects US consumption of soybean meal to grow at 1% to 2%. While demand does appear to be stabilizing, largely as a result of increased pork production, a more stable poultry market, but also due to growth in key export markets like Mexico, where imports year-to-date are up 13% compared to last year. The impact that DDGs have had on our business is worth a closer look.

Soybean meal demand is expected to get an additional boost from the slowdown in growth of DDG production. Today, production of distillers grains is outpacing soybean meal. Beef and dairy cattle get the most nutritional value out of distillers grains. Due to the abundant supply, all species of animals are being fed distillers grains in some capacity.

However, with the slowdown in the growth rate of ethanol production and the corresponding slowdown in distillers grain production the impact that DDGs have had on -- in the past won't be the same going forward.

An additional comment about DDGs, 10 years ago we exported less than 1 million tons of distillers grains. Today we'll export over 8 million tons. As we export more distillers grains there is less pressure to feed more distillers grains in domestic feed rations. All of this will contribute to more stable soybean meal market.

Another key driver of soybean meal demand is meat production. Per capita consumption of meat in the US is down about 10% from 2006. But there continues to be a long term shift away from beef and into more pork and poultry. This also will continue to a more stable soybean meal market. Pork and poultry make up about 70% of the domestic soybean meal consumed.

Now, as with soybean meal, the soybean oil market is driven mostly by domestic demand. But while soybean oil used in food applications have been declining, largely as a result of manufacturers efforts to reduce trans fats, biodiesel use has grown to offset the drop-off, thanks to the renewable fuel standard. Exports are also helping to mitigate the impact.

But while they represent a small piece of the overall demand picture, US has been and will continue to be a residual supplier of soybean oil to the world market. But taken together, the impact of biodiesel and exports gives us reason to be optimistic about soybean oil going forward.

Now some market share data. As you can see, the US soybean crushing market is quite consolidated, with 65% to 75% of the market controlled by large global competitors. ADM operates 15 soybean crushing plants in North America. Trade flows are established and customers know how to use our products. The market is largely a mature industry. We're operating in an environment that does appear to be stabilizing.

The industry's demonstrated its commitment to a more efficient operating environment with a better supply and demand balance. Last three and a half years there's been six crush plants idle, two of which have been ours.

Canola, however, has experienced an expansion in capacity in the same time period. Today, 70% to 80% of North American crush capacity is controlled by multinational companies. ADM currently operates three canola crushing plants, but we have three additional plants that have the capacity to crush a variety of soft seeds. The industry's crush capacity is more than doubled in the past 10 years, as both global competitors and a few independent crushers have entered the space.

Risk management portion of canola crushing is complex. We hedge our seed in Winnipeg in Canadian dollars. We hedge our products in Chicago in US dollars. And again, this is a situation where, in a complex business, having access to a global network of firsthand information proves to be a distinct advantage as we manage our risk.

The picture for cotton seed crushing is quite different. 100 years ago there were nearly 900 crushing plants in the US. Fifteen years ago there was 29. Today there's just 12. This industry is a classic example of capacity consolidation, as we've moved from several small, inefficient facilities to a few larger, more integrated facilities. ADM has a large portion of the North American cotton seed crushing market share.

We're the only global company in the US that crushes cotton seed. We operate four cotton seed crush plants, primarily in the south. Cotton seed is a byproduct of the cotton ginning industry. About half the whole cotton seeds fed to dairy cows and about half is crushed. More feed alternatives are finding their way into dairy rations. The dairyman is feeding less whole cotton seed today than he has in the past.

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This change in feeding, along with the consolidation in the crushing industry, has made for a better supply and demand balance for our raw materials and it's allowed us to run our plants at rates that make this a good business. And while I didn't mention flax, sunflowers and peanuts, ADM has similar large market shares in those businesses as well.

Earlier, Matt introduced you to this flow chart and mentioned some of the higher value products that we produce. I want to give you some additional insight into those businesses that reside under the North American umbrella, yet are marketed globally.

Lecithin, sterols and vitamin E are derived from production streams created in the oil refining process. These products have functional and nutritional benefits and are used in a wide range of food, feed and industrial applications. Biodiesel shortenings and margarines are all familiar products that use refined oils as a feedstock. In addition, ADM produces the most comprehensive portfolio of soy proteins in the industry.

One distinct competitive advantage that we have in this business is our facility in Decatur. It's a highly integrated facility where we produce all of our protein products for food use. Having all these products under one roof gives us a unique opportunity to create custom protein blends to better serve our customers.

We also produce cellulose from the linters that we collect in the cotton seed crushing process. We process this material into a variety of pulp products that are used in a number of food and industrial applications. So as you can see, our portfolio of products is both broader and deeper than the traditional commodity meals and oils.

Now, that's an overview of our North American crushing and specialty products businesses. Let's take a look at how those components link to our strategic objectives for the region.

Matt provided a high level overview of our oilseeds strategy for North America. I'd like to give you a little bit closer look. Our crushing business, our strategy is aimed at optimizing the frontend and the backend of the value chain. Looking at infrastructure improvements that can enhance logistical capabilities and storage capacities. We're working to improve operating efficiencies to improve yields, to reduce energy use, to reduce costs, and by further integrating some of our North American facilities.

We're improving our distribution channel by reducing freight costs and gaining better access to export markets. And we're leveraging our overall network to better serve our customers, to capitalize on our assets and insights, to take advantage of our economies of scale, and to better manage our risk. We're also looking closely at our asset base to identify consolidation opportunities.

In specialty products we're focused on projects that will allow us to grow this segment as a whole. Developing new, higher value products such as Clarisoy, the world's first transparent soy protein. We're working on new oil blends and protein blends to better serve our customers' functional needs. And we're exploring new applications for existing products.

Customer collaboration is a core component of our open innovation model to leverage our commercial applications and operations expertise, to innovate products and process improvements while overcoming challenges to improve the bottom line for both ADM and our customers. Finally, we're seeking opportunities to expand our North American model, take advantage of existing core businesses globally.

While we consider the North American business largely mature business, there's still plenty of opportunities for us to expand our margins. We're working hard to capitalize on a lot of these opportunities.

I'd like to hand it over to Valmor to give you some insights into our South American business.

Valmor Schaffer - ***Archer Daniels Midland Co. - President - South America***

Thanks to everyone for the opportunity to be here today and show you this quick snapshot of our operations in South America.

South America grew from a Brazilian crush operation into a regional oilseed and grains player with a diversified asset base and geography. The Company has a fully integrated basis model focused on our crush activities, on increasing capacity, high margins and added value business. Let's review the main drivers of our business in South America.

ADM South America has a well diversified business model, with strategically located assets. Our solid origination footprint in key growing areas is the basis of our integrated value chain, allowing us to generate margins from the farm to the export berth, ready for shipment to the destination markets.

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Our current business is more than just a crush operation. We have a strong agricultural service component. Origination and farmer pre-finance, integrated logistics and storage, and on the top of that, we have our processing and biodiesel operations and export terminals. Furthermore, compared to North America and Europe, South America market is far less consolidated. And as such, offers exciting and promising growth opportunities.

Let's explore what the drivers are of this integrated business. Our South America business is a key part of our global oilseed footprint. As Matt mentioned, from a farm in Mato Grosso to the food industry in Europe or to the processors in China, South America attends global needs -- ADM's integrated value chain allows for an efficient and unparalleled trade flow to key consumption areas, markets like Europe, North Africa, Asia, and other countries in Central and South America.

Let's check out the South America crushing presence in the region. This slide shows you a high level overview of the crushing footprint in the region. As ADM, we operate the following plants in Brazil, Bolivia and as for the next crop, 2013, Paraguay as well. We have seven soybean crushing plants, one sunflower seed crushing plant, five refineries and five packaging plants, and two biodiesel plants.

ADM already has a solid and diversified rushing asset base in the region. Looking at the charts and the distribution between regional and global competitors, it is obvious and interesting that the market still offers plenty of consolidation opportunities. Currently we do not have a crushing asset in Argentina. It is, though, in our radar screen, it's just a matter of finding the right entry opportunity.

Let's check the South America soybean production and market conditions. As you can see in this chart, South America production has increased substantially, more than 60% in the past 10 years, driven by a strong increase in planted area. Brazil is currently the second largest producer of soybeans in the world, and Argentina the third, Paraguay the sixth. More important, farmer economics continue very, very positive.

The future prospects. Further acreage increase through land conversion from pastures into agricultural land. This unique opportunity will allow for substantial growth in production. Key, however, will be additional investments in infrastructure and logistics to handle these large crops.

South America is a leading world soybean exporter. ADM has a strong participation in that market. We are looking to increase our exports even further. Soybean production and ADM exports grew, too, confirmed by the upward trend of our market share. ADM is the largest grain and oilseeds exporter in Argentina. In Brazil and Paraguay, we are one of the top three oilseeds and grains exporters. South America is a major agricultural commodity exporter, and ADM plays its part.

What are some of the main drivers of our business. As you can see in this chart, growing internal soybean meal demand, driven by booming meat industry, Brazil has converted into a world leader in meat production and its market share of world exports is becoming increasingly larger. As is the case, the country market share has changed from 4% to 22%, confirming this trend.

Rising incomes in developing countries and changes in the eating habits are leading the increasing world meat consumption, boosting the exports. The conversion from soybean meal into animal protein is competitive in the country, and we expect growth in demand to continue.

And more about the oil markets and its dynamics. Food sector and exports traditionally were the main demand drivers. We have seen a shift, though. The biodiesel mandate was implemented in 2005. Biodiesel consumption continue to show strong growth and provides a new outlet for soybean oil and other.

ADM is converting a crush stream of crude oil and higher added value products. Meanwhile, consumption increases as well supported in the regions positive economic momentum. ADM's biodiesel plant in (inaudible) in the northern state of Mato Grosso with a daily production capacity of nearly 1000 to 2000 metric tons is the single largest plant in Brazil.

In July, we will complete the construction of our second biodiesel plant in Joacaba in the state of Santa Catarina south of the country. We'll have a daily production capacity of approximately 500 metric tons. This brings us directly to our next slide, expansion projects and investments.

South America is dynamic and growing and ADM is participating. Construction of our biodiesel plant in Joacaba will be finalized in July, as I said -- expanding our market share in the Brazilian biodiesel market. We continue to invest in storage and logistics. Our Paraguayan barges investments are clear example of that. These barges ship fertilizers upstream to a blending unit and the same barges brings an oilseeds downstream exports.

Similar logistic flow at ADM. Our Paraguay crush facility barges in the country and currently one of the ADM's major investments will come on line in time for the Paraguay in 2013 harvest. And this picture actually a great example of how our integrated South America model works. Ship the fertilizer raw material our ADM barges upstream to our blending plant, which is here on the left-hand side.

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The blending puts and trucks the products to the farmers in the interior. We pre-finance these farmers. And we originate their soybeans, which are truck back to our crushing plant. You can see the construction on the right side of the slide here. The [mill] and oil are loaded on the barges and shipped downstream exports. This is a really efficient and integrated value chain. Considerable investments in the region, expanding our value chain and tying in the south American farmer with the world markets. That's what we do.

Now let me show you how the fertilizer is an important part of the South America business model. Fertilizer distribution is one of our pillars in the South America value chain. ADM's market share in the South America fertilizer market has grown in the past years. We are focused on growing the business.

Fertilizer is one of the great tools ADM has to build and strengthen the partnership with the farmers, as customers and as producers. This is clearly an area where we fully leverage our logistics origination assets and knowhow, a partnership with the South American farmer, from financing the crop with inputs to off-taking the grain and oilseeds to be processed or exported.

Our current footprint consists of blending and distribution in Brazil, Paraguay, and Chile, marketing and sales in Peru, Ecuador, Columbia, Uruguay, and Bolivia, and sourcing globally together with (inaudible).

Now I would like to share with you how that integrated value chain drives our margins. Here we have a summarized overview of our value chain. From farm to processing plants and added value, or directly to exports and destination markets. What sets our operations in South America apart is clearly the fertilizer operation and integrated logistics.

It's important to understand that we need to be and are efficient in every step. Where is our growth going to come from? South America will play a leading role to attend the increase in global demand for agricultural products -- food, feed, and fuel.

ADM will capture part of this increased volumes by expanding our origination, transportation, and processing capacities. Additionally, growing our higher margin business too. A clear example is the new biodiesel plant in (inaudible).

ADM has a solid track record since its entry 15 years ago in South America. However, we are convinced of the region's growth potential, and ADM is in an excellent position to take advantage of these opportunities. So after this South America snapshot, let's focus on Europe. Brent, please.

Brent Fenton - ***Archer Daniels Midland Co. - President - Europe***

Thank you Valmor and good morning, everyone. So, I'd like to spend the next 15 minutes or so giving you an overview of our European oilseeds business, as well as our Indian oilseeds business.

Through the process, what I want to illustrate to you is that we've got a strong business model and a strong product portfolio throughout the regions and a view of how our business -- how we connect it up locally as well as globally into the ADM network, and point out some of the similarities and the differences between Europe and the other regions that we just reviewed.

In the end, I want to leave you with the fact that we've got a strong integrated platform positioned for growth throughout the region. I'd like to start off by first of all taking a look at the trade flows that impact our business.

Europe is a large consumptive market and is a growing importer of oilseeds and oilseed products, due to the fact that it's a net deficit in proteins and oils. The ADM European oilseed business comprises soybean crushing, rapeseed crushing and sun seed crushing, as well as refining of these products. This includes also tropical oils refining, which are imported from Southeast Asia, as well as further downstream value-added products such as specialty processing, specialty fats and oils, packaging and bottling.

As Matt mentioned earlier in the global overview, our assets in Europe are supplied from raw materials sourced locally as well as globally. To illustrate this, we take soybeans from South America, the US Gulf, as well as from the Canadian Great Lakes. We also take canola from areas like Australia, as well as Canada and the Black Sea.

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Sun seed and sun oil we move from the Black Sea into Europe, as well as we take it into India for importation. Soybean meal moves from South America into Europe. Also exported into the Middle East, North Africa and other places. Palm oil out of Southeast Asia and bring into our factories, like you've seen yesterday, into Hamburg. Soybean oil is exported back out of Europe into areas like North and South Africa, as well as other destinations.

Our global assets really benefit from the trade flows of the region and the way we're set up. And in the end, just the fact is that it's -- leave you with this key fact, that it's a large consumptive market. We've got the assets in place and the ability to lever that market going forward.

Now I'd like to take a look at our asset footprint to kind of illustrate to you a little bit more how we can capitalize on this.

Oilseeds footprint in Europe reaches west from the UK and spreads across northern Europe, moving eastward into Poland, Czech Republic, Ukraine, and Russia. We operate in eight countries, we have 10 crushing plants, 10 refineries, three specialty oils and fats plants, four biodiesel plants, four packaging plants, and eight elevators that we own, as well as many that we lease.

Significant and leading positions in most of our markets, and we have a highly integrated business model. We have flexible capacities that we can switch based upon profit market potential, as well as customer demand. And for instance, just an example of that is our Europoort plant, we can switch between rapeseed and soybean capacity when market dictates. And we can do the same in our Spyck, Germany plant. For instance, we can switch between rapeseed and sun seed crushing.

The industry on soybean crushing is highly consolidated, as you can see by the chart. Mature market, consolidated and about 80% of the capacity is in the hands of global players like us. Rapeseed crushing, while highly consolidated also, has about 50% of the capacity in the hands of global players. Sun seed crushing is more of a fragmented marketplace, with about 35% of the capacity in what I would call global players positions, and the balance is in small fragmented companies as well as some strong regional players.

We distribute a lot of our oils through partnerships. Like, for instance, we have a partnership with Princess Foods in the UK and Poland. It's called Edible Oils Ltd. And through that partnership we use their branding expertise to market both branded and private label oils throughout the region, and we supply the manufacturing base to support that. We've also got an origination network, as I mentioned, and we're continually expanding that.

We recently just purchased an operation in Slovakia, so we're adding three grain elevators to our network, which supports our crush. That network is extensive and we're trying to build on that because, as we increase crush capacities, we see opportunities to supply our network further. We also source directly from farms, as well as from trade sources, and this gives us a lot of insight on the ground as to know what's going on with the farmer and with the crops.

Additionally, as we mentioned earlier, we've started to round out some of our processing capacity by acquiring assets like the Elstar operations in Poland, which we're currently integrating into our ADM network in Europe.

The long and short of it is we have tentacles in the field. We've got people on the ground of strong, central management control in rural Switzerland, where everything is managed from. This allows us to drive standardization and synergies across the region.

I'd like to review some of the key strengths we have in logistics and show you how that works. Having access to deepwater ports is key to our strategy. Waterway transportations in the inland coast is also key. We are able to take in primary ports at feeder operations at Hamburg and Europoort so we can take in Panamax size vessels, which unload very efficiently and allow us to go global arbitrage amongst the continents. Arbitrage which can be both on price, which is influenced by freight rates, as well as quality of the products that you want.

Posters are operated around the region, which we move into our plants, like Purfleet and Erith in the UK, as well as we use barges to facilitate logistics in our Mainz and Straubing plants in Germany. All of this gives us a competitive freight structure. We are well positioned and we have an efficient network that creates opportunities for the Company.

Now I'd like to take a look at crop production as well as some key consumption trends in the region to give you some insight into the dynamics of the business. This slide is a chart of rapeseed production. And as you can see, it's been growing at a significant pace over the past many years. In fact, production has doubled in the last decade.

The crush capacity has actually outgrown the rapeseed production, causing Europe to be about a 3 million metric ton net importer of rapeseed, increasing demand for imports. ADM is a large player in that arbitrage and that import activity. And as I mentioned earlier, this comes from areas like Australia, the Black Sea, as well as Canada.

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Also in Europe we also see dramatic ability to increase yields. And just a for instance of that, if you look at Eastern Europe, the yields there are approximately 1.5 metric tons per hectare, whereas in Western Europe they're about 4 metric tons per hectare. So we're also excited about those opportunities for the Company.

Some of the challenges the business faces is due to the rapid increase in production, which is driven obviously by demand, primarily for biofuels. The crush capacity has increased pretty rapidly over the years, as I mentioned. So we see that as a challenge for the business, but we also see that as an opportunity to consolidate where possible, and we're doing that.

Again, as you look at the business model, it's highly integrated and it gives us a competitive advantage going forward. And we'll look for all these opportunities to drive consolidation.

Be a completely different story on soybeans. Virtually 100% of the soybeans that we process in Europe are imported. And of course ADM's a major player in that arbitrage. This industry is highly consolidated, as I mentioned, and crush volumes are actually in decline. There's two primary reasons for this decline in crush.

The fact is that we have significant competitive soybean meal imports coming out of South America, which impacts the profit margin. So you can bring soybean meal in at certain times, it's cheaper than processing here. In addition to that, strong growth in biofuels demand, it causes a switch from low oil bearing seeds like soybean processing into high oil bearing seeds like in rapeseed. So capacity shift and it's more of an oil demand driven market than a protein demand driven market.

Things have played out in the industry and we've adapted to it. Again, the integrated assets that I pointed out earlier, deepwater ports linked to a global network give us the competitive advantage.

Now let's take a little bit of a link -- at how our network links up to the consumption in the region. In contrast to Valmor's outlook on meat production that he showed earlier for South America, Europe is a relatively stable market. The bulk of the population is quite affluent, and demand is very stable. It's a mature market. It has low growth rates. But the population and GDP supports a very stable base for protein off-take. And that's whether it's processed in Europe or whether it's imported.

You'll recall I spoke of a shift from soy crush to sun seeds crush, and now I'll illustrate how that demand picture looks on the oil side of the equation. The fast-growing oil demand creates an opportunity for ADM. Food demand is generally flat, as depicted by the flat line at the bottom of the chart, while oil demand into biodiesel is exploding. It went from 0 to 12 million metric tons in the last decade. And the biofuels demand is further driven by mandates going forward. In fact, by the year 2020 we expect to have well over 20 million metric tons of biodiesel demand in Europe.

This again is an industry that overheated and has overcapacity. So the industry as a whole runs somewhere around 40% to 60% of capacity, depending on the seasonality. Our integrated assets in our ADM network run at much higher rates. In addition to this, there's a renewable energy directive which requires all feedstocks to satisfy sustainability requirements.

And due to ADM's ability to globally source and have our network and capabilities on -- in our supply chain, we're able to supply these sustainable feedstocks. Once again, integrated assets and a global network gives us an advantage.

Now I'd like to move to our Indian oil business and give a brief overview of how that looks. So the Indian business is a dynamic and growing and important market with tremendous long term potential. One example of this is that in India they consume about 14 or 15 kilograms of oil per year per capita, whereas you and I are eating probably about 45 kilos a year in the western world.

We're present in the country with five assets. These are integrated crushing, refining, bottling, packaging units. We crush soybeans and sun seed, as well as we process palm oil and distribute. The demand in India is driven by several overwhelming trends.

First of all, the demand in the population base. You've got 1.2 billion people in the country, growing at 7% to 9% a year. And you've got a middle income class that's growing from maybe, say, 9% to 11% of the population today, which is expected to probably go up to almost 40% to 45% by 2020. So if you add that up, that's about 600 million people in the middle class by 2020 within India.

We've completed three acquisitions in the country, which we're currently integrating and trying to optimize as well as looking for further growth opportunities in the region. Demand is fed by both domestic as well as imported oils, as I mentioned. That is where our efforts are focused, in both of these areas. We also see large opportunities for India to increase its yields per hectare. We see vast differentials between areas where there -- they have good agronomic practices and where they don't, and their potential is large.

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But again, this is a fragmented, very fragmented and immature industry. The challenge is that it has a lack of distribution, a lack of infrastructure, but also a big opportunity for us is there's a lack of food processing in the country. And we see that as a significant opportunity for a company like ADM.

To illustrate my point about oil demand, I'll show this in the next chart where you can see the oil consumption in India and how that looks. As you can see by the chart, demand has almost tripled in the last two decades. And if you look at the last five years, the trend has accelerated at a pretty high rate of speed. Imports today supply a little bit more than 50% of the demand. And as I mentioned earlier, we participate in the trade flow and distribution for both imports as well as domestic processing within the country.

The distribution network I think is going to be key to success in this country and getting the infrastructure right. Food processing is also critical to our strategy. The increase in food processing, I should say.

Now I'd like to review our product portfolio and show you a little bit about our strengths and opportunities in those areas, as well as point out some of the differences between here and the other regions.

The main differentiation of our European portfolio is the diversity of its oils. We process coconut oil, palm kernel oil, shea, (inaudible), small amounts of walnut. We bottle and package olive oil, as well as we do hyoleic sun oils, hyoleic rate oils, and in India it's mustard oil.

We're able to supply these oils with the appropriate sustainability certifications, which is key to our success. And we see opportunities to build out further our value-add or higher margin business with things like enzymatic (inaudible), bottling and packing, as well as specialty fats and oils.

Product development, we work on solutions for low saturated fat solutions, as well as cocoa butter equivalents, which complements our cocoa business. Our ability to formulate and blend oils to match certain applications for our customers is another key to success. In India we could very easily expand our portfolio and we look for opportunities to move into cotton see processing, as well as peanut processing to add to our portfolio. Again, the portfolio is strong and we see room to improve it and strengthen it further.

With that, I'd like to summarize the region and the strategy. As I mentioned earlier, Western Europe primarily is -- I view it as a mature consolidated business for the most part. Where there's opportunities, we seek opportunities to consolidate further, as well as to optimize. An example of that is the recent activity that we've -- that Juan mentioned earlier with Valmor.

We see opportunities to improve our refining operations here. Additionally, we look for downstream opportunities and try to increase the flexibility of our assets so we can move our profit margins between different crops as we process. Additionally we see room to increase our productivity by further standardizing and our operations and reducing costs.

In Eastern Europe it's a bit of a different story. The strategy in that region is really to acquire existing capacity network, drive the costs out of the operation and run these operations, further expand where it makes sense. This would increase our competitiveness on costs as well as quality.

As I mentioned, it's a fragmented market, and the consolidation has to be the play there. So it's an acquired domestic processing. We're going to expand our import opportunities, strengthen our distribution network that are further value-added opportunities. Quality supplier like ADM is well sought after in this market. And operational excellence is definitely something that market needs.

ADM is well positioned today and we're committed to growing our business and developing a leadership presence and position. So I hope this gives you a good feel for our European oilseeds business as well as our Indian business and our global. We're excited about the opportunities ahead of us.

With that, I'd like to turn it back over to Matt.

Matt Jansen *- Archer Daniels Midland Co. - SVP, President - Global Oilseeds*

I hope that through our discussion this morning you now have a better insight into our assets and our footprint and how we are positioned to meet the growing demand around the world. Importantly, Brent and Greg and Valmor touched on our strategies and how they are tailored made by region and how that tie into our overall global oilseeds strategy.

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I hope you have a true appreciation for our management team and the skills and experience that each of these bring to our -- bring to our team. And I hope it shines through that our experienced team is really focused on shareholder value.

We're going to take a 10-minute break. It's 9.15 right now, so we'll be back at 9.25 for Q&A. And we look forward to continued discussion.

(BREAK)

QUESTION AND ANSWER

Juan Luciano - ***Archer Daniels Midland Co. - EVP, COO***

We can start with the Q&A. There's only one rule to the Q&A. Since this is a webcast, please wait until you get the microphone from Vida to ask the question. And we have the two teams. The team that presented, to the left, and the usual faces in our Q&A, to the right. So, go ahead, John.

John Roberts - ***Buckingham Research - Analyst***

John Roberts, Buckingham Research. I don't think I saw what revenues are in Europe or maybe revenues of oilseeds in Europe or can you kind of size things for us in a revenue basis?

Juan Luciano - ***Archer Daniels Midland Co. - EVP, COO***

Brent?

Brent Fenton - ***Archer Daniels Midland Co. - President - Europe***

Yes, our revenues amongst the groups, we don't break them out by region. We don't report it that way.

Unidentified Speaker

(inaudible - microphone inaccessible)

Matt Jansen - ***Archer Daniels Midland Co. - SVP, President - Global Oilseeds***

Revenues for oilseeds is about -- was last year about $30 billion as a total. And that's -- there's a pretty even split among the three, North America, South America and Europe in general. But like Brent said, we don't -- we don't break that out. But the total number was right around $30 billion last year.

Unidentified Audience Member

I have a question for Brent. When you talk about kind of the global business, the on-the-ground knowledge for ADM, I'm just curious. I know I guess a year and a half ago when Russia implemented the export ban, ADM seemed like they didn't adjust to that situation very well. And I kind of want to know what happened and then why -- what's changed in the network that that won't -- that you'll be more on top of things in the future.

Brent Fenton - ***Archer Daniels Midland Co. - President - Europe***

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Well, I think the -- as far as what happened a year and a half ago, I guess what I'll comment on is what we can do today. So our organization is structured such that we've got with people on the ground feeding that information into our centrally managed business units. That allows us pretty much real-time information across the globe.

So we're constantly communicating amongst the continents between our office in Europe, for example, and Sao Paolo in South America, as well as in North America in Decatur. And that network and knowledge base creates pretty much instant on-time information throughout the regions. Now, that's not to say that sometimes you don't miss something by a little bit. But certainly the objective is not to.

Unidentified Audience Member

Is it better than it was a year ago - has that changed? I mean is there -- I'm just trying to see, like, maybe is there more communication? Is it the fact that you're getting thisasset base in Slovakia and Poland? Is that helping you?

Brent Fenton - ***Archer Daniels Midland Co. - President - Europe***

I think everywhere that we grow we access more information and we have more people on the ground, therefore it's a matter of accumulating that and communicating amongst the regions. So I would say yes, it gets better. It also gets more complex and more complicated, but generally it's better.

Juan Luciano - ***Archer Daniels Midland Co. - EVP, COO***

but I think, Christine, also I would like Craig to add some comments to that because I think he was in that time too.

Craig Huss - ***Archer Daniels Midland Co. - SVP and Chief Risk Officer***

Well Toepfer, also a big part of that area and when you say we didn't react, I would say that really what happened, there was a big dryness. And there are positions that are taken every day and reacting to a position. I don't think it was necessarily communications issues, is what I would say. But we do work and as we consolidate and as they take a presence, as we've gotten bigger in Romania, as we get bigger in the Ukraine, we are certainly better at decision making and you're much better at picking up those decisions, the dryness and going forward.

But I don't know that it was a failure in that case. It was just -- it was -- it didn't work the way -- we had dramatic changes in weather and we had positions on that we had to correct.

Matt Jansen - ***Archer Daniels Midland Co. - SVP, President - Global Oilseeds***

I would just complement that with one last comments, is that as I talked about that risk management slide that we had, and one of the things that we have to deal with, obviously, is government intervention. And that's in fact what happened in that particular case. And we acted and reacted to that at that time. But that's one of the realities, especially as we grow globally, that we are going to continue to be faced with.

Unidentified Audience Member

Two years ago you communicated a target, a long term growth target of, I think, 5% to 7%. You didn't talk about that today. Does that still stand, even with, I guess, the slowdown in meal demand that we've seen over the last two years? And how much of that is driven by acquisitions?

Matt Jansen - ***Archer Daniels Midland Co. - SVP, President - Global Oilseeds***

Well, we didn't talk about that, you're right. But we still have growth plans in our soybean crushing. But as we've seen this last year, there has been a slowdown in demand and our results have reflected that. But we still do have growth aspirations in that regard. We're going to achieve that through running what we have better.

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We're going to, acquisitions like the Polish acquisition of Elstar Oils will play a part in that. We've got the crush plant in Paraguay that's under construction. That will be on line in time for the 2013 harvest. So it's a combination of running -- optimizing the assets that we have, buying as well as building to help us get there.

Unidentified Audience Member

Could you just comment a little bit on North American crush situation? And I think you mentioned six plants have been shut recently. I don't know if you can give some color on what percentage of capacity actually came out and kind of where we are on the road to rationalizing more or kind of how much needs to be done.

Greg Morris - ***Archer Daniels Midland Co. - VP - NA Oilseed***

Yes, so, there's two stories with regard to soybean crushing in the US and I talked a little bit about the supply side in those six plants. You can't neglect or overlook the fact that there's been some debottlenecking done in that same time period. I think the net reduction in capacity has been about 3% if you look at the added capacity and the idle plants.

The other side of the equation is the demand side that I touched on as well, with the potential for an improving domestic consumption. If you think about the crop problems in South America and what that could potentially mean for a US export program on meals. I think it's a combination of a supply story and the demand story starting to come back.

Unidentified Audience Member

Juan, you actually said that the higher margin products were, I think you said, "meaningful." So I guess what I'm trying to figure out is what does meaningful actually mean in terms of percentage of your portfolio? What is the margin differential between the higher margin products and the base products? And then where do you expect the higher margin products to be in two to three years?

Juan Luciano - ***Archer Daniels Midland Co. - EVP, COO***

Matt, do you want to take that?

Matt Jansen - ***Archer Daniels Midland Co. - SVP, President - Global Oilseeds***

I'll take a stab at it. First of all, in our crushing and refining we have the soybean and rapeseed crush, but we also have the cotton seed and the peanut crush and flax and linseed. Those businesses, as Greg pointed out, are -- ADM has a larger participation in those businesses. Those are in general a comparatively higher margin business than what we see in soy or rapeseed.

And so and that is embedded also in our -- if you remember the pie chart of the 66% that is in crushing and origination and roughly about 25% of our earnings is in the refined packaged and biodiesel. In both of those pieces of pie, we have some of the higher margin businesses. So we have the crushing side, say, for example, in the origination and crush pie, for cotton seed, for example.

But then in the refining, packaging, biodiesel and other, we have other value -- higher value products. So roughly -- we don't have an outright breakdown that we provide in terms of what the higher margin businesses are, but they are an integral part of our total fixture.

Unidentified Audience Member

If the US crush margin is roughly historically $0.60, these products would generate what cents above that on an average basis not giving exactly, so there's no competitive information that you're leaking out, just kind of on a base case, what would you say would be the margin structure?

Greg Morris - ***Archer Daniels Midland Co. - VP - NA Oilseed***

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Well, it's an interesting question, but it's not necessarily the way that we look at our business. As I mentioned, a lot of these specialty products use either an oil product or a meal product from the crushing business as a feedstock. So there's a transfer price at market values. And we look at those businesses more as a stand-alone as opposed to allocating back to the initial bushel that's crushed.

So our soybean crushing businesses are certainly a building block in the overall portfolio of businesses that we run. You can't have one without the other. But we don't necessarily allocate back all the profits and look at it on a per bushel basis.

Unidentified Audience Member

I have two questions for Valmor. One is in terms of Paraguay. This year I think initial estimates came out for 8.5 million metric tons of soybean production. And now we're looking at maybe 4.5, so when the plant's up and running. And then I think that Dreyfus, AGP and Bunge are putting a facility in.

Is there going to be a problem with the supply of beans in terms of availability of crush? And then can you import from somewhere else if you get stuck or do you just run that plant light that particular year? How does that work?

Valmor Schaffer - ***Archer Daniels Midland Co. - President - South America***

Well, our crushing plant is estimated to be ready for the first tests in September. And I think that the Bunge and Dreyfus plant will be ready just at the end of the next year. So for us, of course with this reduced crop we're going to be facing some shortage at the end of this year.

But our plant, since the beginning we were considering that starting September testing back and forth. It will be ready for working at full steam in December. And we are very close to the new crop and we still have some beans to be results for that crush.

Unidentified Audience Member

And then the other question is can you talk about the health of the poultry and hog sector in Brazil now that you've had corn prices spike? Are they -- are they -- are their economics deteriorating and is that a threat to soybean meal demand in Brazil?

Valmor Schaffer - ***Archer Daniels Midland Co. - President - South America***

Well, the meat industry is very -- is still competitive in Brazil, despite the higher prices in corn. The higher price in corn is not something just restricted to Brazil. So we can keep competitiveness worldwide, especially in the states like Mato Grosso, Goias , and Santa Catarina.

So we estimate that the growth in meat production will continue, that the country is well prepared for that. I think that we have technology. We have relatively low cost inputs. And so my -- I'm really bullish for the meat production for -- especially for Brazil within the next years.

David Driscoll - ***Citi - Analyst***

David Driscoll from Citi. Hi guys. I don't know who wants to take this question. But the Wilmar position, obviously you have a 16% stake here, so you cannot fully integrate this. So there's two questions.

The first one is what are the limitations on ADM to increase its stake in Wilmar? Is there anything that would impede you to do this? And then maybe you could answer why we haven't actually ever seen that if there is no impediment.

The second related question would be in this memorandum of understanding that you have signed, is the way to think about this is that because you could not fully integrate those operations into ADM, there was an opportunity out there on the cost side that was never arbitraged and this memorandum seeks to do that by taking those areas pieces where if it was fully integrated into ADM you would see significant cost advantage?

Juan Luciano - ***Archer Daniels Midland Co. - EVP, COO***

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Yes. Thank you, David. I think I will take it and maybe let Matt comment if you want to. I can comment regarding the past. I don't think there is a limitation for us to go over 16% in Wilmar. We continue to look for opportunities to do more with Wilmar. And there are several avenues we are taking of how to do more with Wilmar.

The thing that we wanted to take first were those opportunities where we had operating profit available for both companies without creating a lot of structure, without doing things that required too much in terms of regulatory approval or due diligence or whatever.

So the teams are getting to work together much better and we sat together and we identify what were the low hanging fruit, if you will, in our relationship that we can profit from without, again, too many lawyers or creating too much of an infrastructure.

So we put together this MOU for three, if you will, strategic alliances. We don't even need to create a JV for some of these things. So those things are being implemented and, as I said, MOU and then we have signed a definitive agreements and we're going into implement that. And the team has a long list of things that we going to pursue that maybe take a little bit more complexity.

In parallel to that, obviously there are layers of that. There is a more strategic layer in which we are analyzing what to do with that on a long term basis in order to continue to increase that complementarity between the two companies.

David Driscoll - ***Citi - Analyst***

Can you give us any sense of what the size of the dollar opportunity in cost reduction is through this memorandum?

Juan Luciano - ***Archer Daniels Midland Co. - EVP, COO***

Yes, and there is a progression of -- as we get more comfortable, we'll throw more things into that. But I would say you should estimate in the range of maybe $30 million to $40 million per year initially, and especially the ocean freight and all that or even fertilizer growth can become larger. But I think initially, I think as we are bringing, like, two vessels per side, so that's kind of about the size that we are looking at.

David Driscoll - ***Citi - Analyst***

And that number is a cost reduction, it's not a revenue figure, some kind of enhanced revenue. It's a cost reduction --

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Juan Luciano - ***Archer Daniels Midland Co. - EVP, COO***

Yes. And operating profit contribution, if you will.

David Driscoll - ***Citi - Analyst***

Thank you.

Unidentified Audience Member

Thanks I have a few questions, First, if you were to go around the horn regionally, put the same crushing plant in the US, Brazil, Europe, what's the difference in the cost of production outside of the efficiency of that particular plant? Where are the low to kind of high cost regions?

Matt Jansen - ***Archer Daniels Midland Co. - SVP, President - Global Oilseeds***

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I guess I'll start with that, and then we can add more color from the particular regions if necessary. Generally speaking, let's say the production plants in each region, there's really not a whole lot of difference in actually cost to crush soybeans. You have some movements, let's say, that might be in dollar terms that'd be impacted by FX.

But I would say in general, South America is inherently a lower cost market. Europe, on the other hand, is maybe somewhat higher. But in terms of the differences, they're not really material among the three different regions in terms of a cost to transpose into beans into meal and oil. There's not a material difference among the geographies.

Unidentified Audience Member

Okay. And for the new capacity that you're building, what's the cost per ton for a greenfield crushing plant?

Matt Jansen *- Archer Daniels Midland Co. - SVP, President - Global Oilseeds*

I'm not sure if we announced what the -- Ray, do you remember if we announced what the cost for the size of the investment in Paraguay. I don't think we've --

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Ray Young *- Archer Daniels Midland Co. - CFO*

I don't think we've talked about that

Unidentified Company Representative

Yes.

Unidentified Audience Member

Okay. And then as I think about South America, if your margin structure is lower than, say, in the US and South America for crushing and the invested capital obligation is higher because you're pre-financing farmers, as your emphasis in your growth shifts down south, is that a returns dilutive proposition for you guys?

Matt Jansen *- Archer Daniels Midland Co. - SVP, President - Global Oilseeds*

No, it's in fact accretive. We do have a -- I mean we are paid for that operation. There's margin in our pre-finance operations. And Valmor can talk a little bit about that.

But it's a -- we pre-finance with a -- in a barter type situation with fertilizer, with other inputs, and not -- with some, let's say, cash. But it's not a -- it's not all cash. But at the end of the day there's margin in every one of those inputs that we're pre-financing with. So it's in fact accretive.

Valmor Schaffer *- Archer Daniels Midland Co. - President - South America*

The pre-finance, biggest portion of our pre-finance is given in inputs in fertilizers and agrochemicals and seeds. So we have a margin in those operations. And the small amount we give in cash is basically for the labor and diesel the farmers need, and we charge interest rate over that. So, the pre-finance is a business for us.

Unidentified Audience Member

Hi, Farha Aslam from Stephens. I was hoping you could share with us your process of how you decide whether to build, buy and what the parameters are in each country in terms of acquisition. Is there some sort of target multiple that you look at when you're acquiring a facility?

Matt Jansen *- Archer Daniels Midland Co. - SVP, President - Global Oilseeds*

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You want me to, -- I can start off with that, and then maybe we can talk about the different regions. But as Valmor and Brent and Greg discussed, we have different growth strategies tailor-made for each region. And some of those incorporate building. Others incorporate acquiring. When we can acquire and consolidate, that's a preferred route.

And so without -- we prefer to expand our footprint without growing in capacity. That's the ideal. That's not always available. For example, what we're doing in Paraguay. But at the time, if you remember back almost a year ago, we acquired a crushing plant in the US in the southwest part of Missouri. That's more of an opportunistic type of acquisition that we stepped in.

That plant was almost new, but the owners didn't really have the capital to run the plant. We stepped in. We've invested in this plant and now have made it -- we've made it more efficient. There's a biodiesel plant attached to it that we have in joint venture.

And so it's a combination of all of these. But I would say that in every type of acquisition or construction that we're going to have an inherent return that's going to meet our hurdle rates and that we do in a review process across the Company. And we have, in general, a minimum required for a hurdle rate. And there may be different geographic variances in that, but regardless, they're going to meet the hurdle rate or we simply just won't do it.

Unidentified Audience Member

(inaudible question - microphone inaccessible)

Matt Jansen *- Archer Daniels Midland Co. - SVP, President - Global Oilseeds*

I would say from a -- we look at it more on an ROIC from -- and not necessarily a target multiple. Oilseeds, for example, has the last three years averaged 10% to 12% in a range on ROIC. And so to give you an idea of what we're -- what we've been able to deliver.

Unidentified Audience Member

Just two questions. I was wondering if you could maybe make a comment on DDGs, the situation in China. I mean I know there's been a spat recently, but is product moving there now or

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Greg Morris *- Archer Daniels Midland Co. - VP - NA Oilseed*

A couple of weeks ago, or within the last month I'll say, there was some significant tonnage of distillers grains that was traded to China. Our expectation and I think the market's read on that is that the trade dispute will be settled in the near future.

Unidentified Audience Member

All right, thank you. And then just I was wondering if you could help me think about long term meal demand. Obviously I see the Brazilian share of protein exports rising. But is it not the case that much of that is based on, like, grazing, grazing land, which doesn't use meal? Is it that incremental production uses soybean meal or there's no grazing land left or how should I think about that?

Valmor Schaffer *- Archer Daniels Midland Co. - President - South America*

Well, as you -- as -- in other words, in Brazil we have a great or a large increase in the feedlots, which is something new there. So they are using more protein to feed the cattle because we are losing land for the agricultural side. So and this is, in my personal opinion, this is a trend that will be last for some time.

Unidentified Audience Member

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(inaudible question - microphone inaccessible)

Juan Luciano - ***Archer Daniels Midland Co. - EVP, COO***

Well, I don't have that breakdown, but is substantial, still substantial in the pastures and smaller feedlots. So the up-trend is really big.

Matt Jansen - ***Archer Daniels Midland Co. - SVP, President - Global Oilseeds***

One thing to keep in mind is that cattle really don't eat a lot of soybean meal in the ration. That's mostly a poultry and hog ration where soybean meal is used. And so the pasture and the grazing is more of a cattle opportunity or issue than it is in poultry or swine production

Unidentified Audience Member

I've got a couple of questions about a new product you've developed, it's called Clarisoy - it's a soy protein with unique characteristics. For example, it's transparent. And I was wondering what are your plans with this product? What potential do you see? Talking about market size or market penetration and what could that mean for ADM? Because I think a lot of food and beverage producers are very interested in that.

Greg Morris - ***Archer Daniels Midland Co. - VP - NA Oilseed***

So we've been talking to a lot of our customers for the past year about this new product. We've seen great interest in it. The types of applications that we're targeting would be low pH beverage drinks. So think about juices. Think about sports beverage drinks. Whey proteins today find their way into those applications, so those could be a potential replacement.

One additional benefit of this technology and of this product is that you don't have the beany taste. And so there's really potential even outside of low pH beverage applications in more food and nutrition applications as well.

We had a production facility that we've been constructing for the last 12 months or so, it's recently come on line. And so we move into, let's call it the advanced stages of commercializing this product. So we're working hand in hand with a number of our customers, our research team, their research teams, trying to identify real opportunities so that we can springboard into expansions within this product, too.

John Roberts - ***Buckingham Research - Analyst***

What percent of the oilseeds revenues is non-processing revenue, you know, merchandising activities, because outside of North America, the merchandising activities included in oilseeds rather than in the merchandising segment.

Matt Jansen - ***Archer Daniels Midland Co. - SVP, President - Global Oilseeds***

John we don't disclose what the proportion -- the risk management and the merchandising are an integral part of our operations. We typically enhance our margins with the -- with our trading deck that's embedded within our business. But in terms of carving that out and discussing that on a separate -- on a separate line, we don't do that.

John Roberts - ***Buckingham Research - Analyst***

Could you give us a rough breakdown of soy versus non-soy? Or if you want to put soy, canola, rapeseed together but all these other things in there that's there, can you give us a breakdown by crop?

Matt Jansen - ***Archer Daniels Midland Co. - SVP, President - Global Oilseeds***

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For merchandising are incorporated in, whether it's the soy -- or rapeseed or the oils and meals associated with that. But in terms of -- I think one way to look at it would be from a comparative relative soy percentage crush versus rapeseed and so we're bigger in the soy crush than -- on a global basis than we are, let's say, in rapeseed. But we have it in both aspects.

Unidentified Audience Member

(inaudible question - microphone inaccessible)

Matt Jansen ***- Archer Daniels Midland Co. - SVP, President - Global Oilseeds***

I would -- I would hate to make up a number on that. I don't have that number available, and I would hate to make up a number on that.

Unidentified Audience Member

(inaudible question - microphone inaccessible)

Matt Jansen ***- Archer Daniels Midland Co. - SVP, President - Global Oilseeds***

Again, I would hate to lead you onto a number without being able to give you a real number. (technical difficulty)

Unidentified Audience Member

Ray, We're pretty much through the quarter and I just wanted to see if there's any kind of update. You've seen soybean crush margins get a bit better in the US, but farmers are really holding onto their grain, their corn. And then at the same time, ethanol is probably a bit worse than most of us expected. So I don't know if you can give an update on how things are going and maybe how things look up until the harvest.

Ray Young ***- Archer Daniels Midland Co. - CFO***

I guess for the quarter how we kind of see it unfold right now - is as indicated in our 2nd quarter call, we did indicate that we thought oilseeds margins would improve as we kind of see the quarter unfold. We do see some sequential improvement in terms of our oilseed segment profitability into the 3rd quarter. Looking at corn, I think the ethanol margins have been recovering a lot slower than we had thought initially - the industry is basically still running at negative margins. I'd say that when you take a look at the corn segment, we're probably thinking that for this quarter, again, a lot of it's going to be dependent also on the March 31st crop report, but as we kind of see the corn segment unfolding, I mean directionally I wouldn't be surprised if our corn segment profitability for the quarter would be approximately roughly half the level that we saw in the second quarter just due to the fact that the ethanol margins have been very - very poor and it's recovered a lot slower than we thought and again this is excluding the charges that we saw in the second quarter. On Ag services, I don't see anything unusual occurring in the ag services segment.

I mean we've always talked about this historical range of $150 million to $200 million per quarter. I don't see anything unusual which would suggest that we wouldn't be in that range in the third quarter.

And then in the other segment remember in the last quarter, in the second quarter, we had the large mark-to-market adjustment in cocoa about $127 million. I don't see any negative -- big negative mark-to-market adjustments there that we saw in the last quarter. So in general, I mean I think that it's playing out very similar to what we thought at the end of the second quarter when we had our earnings call. I think the only thing unusual would be to say that the ethanol margins are improving a lot slower than we thought and that's the reason why I think we're going to have some pressure in the corn segment when we get to the third quarter. I don't know Juan whether you want to provide any other perspectives.

Juan Luciano ***- Archer Daniels Midland Co. - EVP, COO***

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No, I think that - not much to add to that. I think when we talked in CAGNY and we talked about the quarter, probably the biggest difference sitting now almost at the end of the quarter has been ethanol, I think we expected ethanol margins to pick up sooner and we still believe they're going to pick up through the summer. But we won't see the reflection of that in this quarter so that's probably the biggest.

Going forward we'll probably see maybe a little bit of a reversal, as I said, into the next quarter, where we see maybe ag services coming down a little bit given the situation. And corn picking up a little bit based on ethanol. We've seen despite a huge difference between ethanol prices and gasoline it still hasn't triggered much in terms of exports so at this point the big issue is the blend wall and we see what the consumption of gasoline is and that's what is keeping the lead on our profitability. We stated to hear some rumors from Brazil, about potentially they are increasing gasoline prices by 10%, but you know Petrogas kind of controls this and I think the president of Petrogas made very clear that if the prices will continue at this level they might have to increase the prices and I think they are starting to talk again about going back to 25% - that will be certainly a savings for the country - there's like a $1.00 difference between gasoline and ethanol so if you import a billion gallons then you have a billion dollars that you improve your balance of payment immediately. So we see that, but we thought that the big price was going to drive exports much faster than it actually did. I think putting together these export programs take a lot of time, and sometimes some politics get in the way, too, which is not as faster as the market. So we think that at this point in time, if Brazil touches a little bit the gasoline prices, ethanol will benefit into the equation.

Hopefully with that and you know the warm weather always makes these plants run a little bit slower. I think when you go into the, you need to take a lot of heat out of these plants, so when we go into the winter a lot of people operate at 110 - 115 capacity utilization just because the plants run harder - when we go into the summer these plants have a maximum that you can run so between that, more mileage because of the summer season and exports, we expect margins to become positive again for ethanol

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Unidentified Audience Member

I just wanted an outlook on the rapeseed crop in Europe because you're hearing some of the freezing has damaged the crop. I know last year it was depressed because of the supply. So is that a risk again this year? And then is it just a matter of the supply of rape? Or it sounds like there's overcapacity in the country, so that's another -- or in the region. That's another issue as well.

Brent Fenton *- Archer Daniels Midland Co. - President - Europe*

As far as the rapeseed crop goes, I think [Oil World's] last number is something like about a 19.5 million ton crop is what they're looking for. The difference Maybe this year it looks to me like across Europe it doesn't look like we maybe have as large of regional dislocations as we maybe had in the last year. For instance Germany crop was down considerably last year as well as Poland was - now there has also been some frost and probably some winter kill in the last few days which probably effects grains more than rapeseed but in the end I would say the crop looks to be better than last year in general.

As far as crushing capacity in the industry, as I mentioned, there is an overcapacity as we've overbuilt versus the production of rapeseed. But that also is satisfied by imports. And as margin structure gets to be problematic, I think you'll see quite a bit of that capacity start to get reduced or rationalized. And that's happening now you can see as we move into the summer time period this is going to be a typical time period where plants take their normal summer shutdowns and reductions and get ready for new crop so I think that will take care of itself over time.

David Driscoll *- Citi - Analyst*

Great thank you it's David Driscoll again, Craig, can you discuss the ramifications of a 94, maybe 95 million acre US corn planting this year? So that would be record acreage. I'm curious to hear what are the -- how do the dominoes fall. And, Matt, I don't know if you want to chime in on the implications on the oilseeds side as well, but I think the two of you could probably divide this up nicely.

Craig Huss *- Archer Daniels Midland Co. - SVP and Chief Risk Officer*

Well, you start out and we talk about -- we started talking 93 and we went to 94, and then we had this warm weather and it got to 95 and, my goodness, two weeks ago it was 96. And at that point, they started at the same time we're doing this we're talking about a decrease in Argentina and South America.

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We got the crop report coming and you've seen this reverse now where people are buying beans because they realize we don't have enough beans - when you grow corn, you're taking away with something and you're starting to take away bean acres. So we've seen the correction in the last couple of weeks of trying to bring some bean acreage back.

I think -- overall we know for a fact that the farmers going to get in early, if possible, and the weather is warmer now. In fact, we planted some corn in central Illinois, which is -- I can't remember that happening in the past. And if it doesn't frost, that gives them a leg up. I'm not sure if it gives them a yield advantage, but it gives -- it at least spreads out the risk.

But I think, overall, we're going to continue the uncertainty into Friday, and then we'll start over and we'll have that uncertainty until we get crops up. But we know we need a 14 billion plus corn crop. And the farmer has had the new crop price and with the input he feels like he can grow corn and make more money than he can with beans. We've seen a correction, as you always get, and that's going back. And I think that correction is just directly to once we started decreasing Argentina and Brazil it just seems like we continue to take a little bit off and a little bit off

And as they finish up in -- as they finish up in Brazil and Argentina, we'll get more of that. But I think that's the big thing. We want more corn acres, but we've had this new advent of, hey, we don't have as big a crop in South America as we thought. So those are trading against each other as we even up for the report.

David Driscoll - ***Citi - Analyst***

If I may, can I just ask that - given the shape of the futures market and the price reductions in the future, certainly this sounds positive for ADM storage. But I'm just curious on your thought process on how strong is a record corn planting? I mean it seems like it should stress the systems in North America greatly, which I would assume is positive to ADM but I'd really like you to say these words, not me and really discuss kind of what's the margin -- how do we think about the margin opportunity that ADM could be faced with come harvest?

Craig Huss - ***Archer Daniels Midland Co. - SVP and Chief Risk Officer***

Well, a couple of things on that. If you plant the corn crop early there's a reasonable chance you'll get corn picked early. So it takes away some of your old crop carry out issues. And that's if we get the degree days and good weather, that's true. But I'm not going to speculate on that, other than that's a reasonable assumption. If you are in the processing business and your raw materials are cheaper your inputs are cheaper you would think there's a reasonable chance it would lead to better profitability down the road but it's the whole margin complex David.

Matt Jansen - ***Archer Daniels Midland Co. - SVP, President - Global Oilseeds***

Similar to what Craig's saying in terms of the oilseeds we do need to encourage more acres in planting right now just to make sure that there is adequate supplies for next year. But I guess the way we -- even with the, call it 94 plus on the corn, I think there's going to be adequate supplies of soybeans around the world. And keep in mind that, as Valmor touched on we'll start planting soybeans again in South America later this year and so the soybean supply will get reset again every six months, more or less. With the, on a global basis. And so that's part of the value of our network is understanding those flows and understanding those volumes and where they are and where they aren't and the timing of those. And so, as Craig said, though, I think that we're trying to buy some more acres right now with today's current prices in soybeans in the US versus corn. And we'll wait and see what the report says on Friday.

Unidentified Audience Member A couple of questions. You talked about the return on capital in the oilseed business has been 10%, 12% over the last few years, I guess. Can you go around the horn in your divisions and just talk about what the returns profile are?

Ray Young - ***Archer Daniels Midland Co. - CFO***

Yes I guess Lindsay they vary, I think that the oilseeds has been the most stable over the last three years. As Matt indicated, 10% to 12% range. When you take a look at the other divisions, there's a wider range and you can just look at the operating profit performance of those divisions as well and you can get a pretty good sense in terms of how wide the ranges would be in terms of return on capital.

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I have to say that, as you know, we've talked about in our total returns have been last fiscal year averaging about 9%. And so I have to say that although all the divisions have been contributing towards achieving this target here, you have to remember we also have a corporate sector, right, which is basically a cost sector, which drags down the overall returns as well.

So you have to think that all the other divisions would be above our corporate average. And then we have a corporate sector which brings down the average in order to get to a 9% level that we had in the last fiscal year.

Unidentified Audience Member

And then just a couple of strategy questions. So, first, clearly, consolidating is a big driver in your oilseeds business. Why not work the consolidating angle more in the ethanol piece of your business? It sounds like you guys are happy to kind of let some of these less efficient producers die out over time. Why not be more aggressive in consolidating that industry?

Juan Luciano - ***Archer Daniels Midland Co. - EVP, COO***

We look at the, the assignment of the company we look at two or three of and some of those opportunities were either too expensive or not plans that actually had some long term viability, so it was going to have to buy them expensive and shut them down. And to be honest, they were not of a size that will tip the balance of the market, so we didn't feel there was a good return to do that. So we continue to do so.

We've been very careful in building our own plants to be winners long term from a location perspective in terms of acquiring grain, but also having the infrastructure around in the size to be cost competitive. So we're pretty pleased with that. And we will do so to the extent that we can move the market and improve the industry structure. We will not do so to the extent that we will dilute our competitive position by adding bad assets. So that is part of the strategy. Just we need to get the right candidates. And I haven't seen them yet.

Unidentified Audience Member

So it's just been too expensive perhaps now with margins coming under pressure some more opportunities will shake out?

Juan Luciano - ***Archer Daniels Midland Co. - EVP, COO***

Yes, I think that you see that we have a strong balance sheet and we will like to play a consolidated role when opportunities arise.

Unidentified Audience Member

And just lastly, in light of how strong the returns have been in the wet milling piece of your corn business, why not prosecute more growth opportunities there?

Juan Luciano - ***Archer Daniels Midland Co. - EVP, COO***

yes we are, I think that what we like that part has higher barriers to entry, if you will. There is more technology. When Matt was talking about -- or he was answering your question or somebody else's question about build versus buy, sometimes there are technologies in which you want to buy because technology is less differentiated, so it doesn't make a big difference. There are technologies like in wet milling where we have a lot of proprietary technology that is a differentiator. So there we will like to build more. So we are looking at a couple of projects in that area.

Unidentified Audience Member

Okay.

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Unidentified Audience Member

I know you won't quantify this for me, but let me just make sure I get it.

Juan Luciano - *Archer Daniels Midland Co. - EVP, COO*

You will try for the third time.

Unidentified Audience Member

I know. On slide 46, on page 23, this was Val's chart, our integration drives profits globally. You've got corn listed there. So I just wanted to confirm corn origination out of Latin America is reported in the oilseeds segment.

Juan Luciano - *Archer Daniels Midland Co. - EVP, COO*

That's correct.

Unidentified Company Representative

Correct.

Unidentified Audience Member

Okay.

Juan Luciano - *Archer Daniels Midland Co. - EVP, COO*

What you will describe as our ag services business in the US, in South America is reported under oilseeds.

Unidentified Audience Member

Juan, as a follow-up to Lindy's question, when you talk about corn processing wet mill projects you're looking at, if I look at your metrics, that would not be in the United States, right? It looks like South America and China, or some in the US as well?

Juan Luciano - *Archer Daniels Midland Co. - EVP, COO*

No, I would say in the US we felt that we had put a lot of money into the corn business over the last five or six years. And we want to see those projects return the money before we put more money into that. So we want to keep the business focus on returning the money on that and improving the operation. There is still -- there are still many, many opportunities for us to debottleneck those assets, achieve the bottlenecks and improvement of capacity without having to invest in a new plant in the US

Unidentified Audience Member

Okay. And then, Greg did I hear you right, it sounds like the rationalization process in North American oilseeds is maybe -- do you feel like that's stalling out now because you're talking about stabilization in meat -- the meat sector, and then less competition from DDGs, or at least that's kind of flattening out as well, or do you think that the industry has more to go?

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Because it might just be this temporary demand that we're seeing because of it was shipped from South America, and then once they start crushing or next year their crop comes in, and you're in the same situation.

Greg Morris - ***Archer Daniels Midland Co. - VP - NA Oilseed***

Yes, so, I think what's happened over the last, say, six years or so is that as more alternative proteins have found their way into livestock rations, the livestock feeder in the US has become more conscious of the nutritional value and the value of switching between different ingredients. And so I think there's -- I certainly think that there's still some inefficient facilities out there. I still think they're going to be challenged going forward.

We've spent a lot of time and effort over the last several years adding infrastructure, as I mentioned, to load unit trains, for example, to better access customers and export markets. The integrated facilities have a natural advantage when you think about shared resources, so they're always going to have a leg up.

So I guess the answer to your question is I think the standalone facilities in the US are going to continue to run up against challenges. Whether it's in the next six months or in the next six years, to be determined. But I think certainly the integrated facilities that have spent the time and effort to either have refineries, biodiesel plants or have some logistical advantage are going to continue to be in a better position.

Unidentified Audience Member

(technical difficulty)

Greg Morris - ***Archer Daniels Midland Co. - VP - NA Oilseed***

We have a couple of standalone facilities, but when you think about integrated, integrated could be on the frontend or it could be on the backend. For example, if you have a small crush plant that's in a good origination territory that can operate as a country elevator essentially and also process beans, I'd say that's some form of integration. That's different than having a small crush plant sitting next to a large, well integrated crush plant in a well developed territory with sizeable grain elevators that are accessing export markets.

So it's a little bit more complicated than just identifying standalone facilities. I think you have to take into consideration the trade territories they operate in and you have to take into consideration the destination markets that they're tributary to.

Unidentified Audience Member

Coming back to the long term outlook for meal demand, I appreciate you talked about the impact that DDGs have had, but can you talk a little bit about the relationship between wheat and corn prices and how that's impacted an increasing wheat feed use and how that'll impact meal demand going forward?

Greg Morris - ***Archer Daniels Midland Co. - VP - NA Oilseed***

Certainly, there's more wheat being fed, and that has an impact on soybean meal. We look at soybean meal in relationship to corn. To a large degree, corn is a proxy for DDG pricing. And what you've seen is that even though soybean meal prices have gone up, it's still cheap on a relative basis over the long term compared to corn.

I go back to my comment about the livestock feeder in the US has become very sophisticated in the last decade. And knowing the value of the alternatives has made it a very complicated business for him and for us to better understand what our customers alternatives are so that we can price ourselves accordingly. But certainly, DDGs, wheat feeding, canola meal, I mean it's all going to play a part in the future demand for proteins.

Unidentified Audience Member

And then just longer term on --

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Craig Huss *- Archer Daniels Midland Co. - SVP and Chief Risk Officer*

Let me follow up on the wheat feeding. It's very regional. It's a very regional issue in the states. In the southeast, there's a lot of feeding with soft wheat and soft wheat has priced itself under corn a good part of the year. And if you get down into Texas and Oklahoma, because freight rates have expanded so much, you see some -- you see some feeding in those areas. So I would say it's very regionalized and segmented.

But it -- I would say that you'll see -- you will see wheat fed in Oklahoma and Texas. You'll definitely see it fed in the southeastern part of the US because it's cheaper than corn. It's that simple. But as a rule, hard wheat is enough over corn that you're not going to significantly going to take away from the heard wheat crop. And we see that on a normal year, but you'll see it again this year, and you've seen a significant amount of soft wheat fed this year.

Unidentified Audience Member

Longer term thinking about your margin structure in oilseeds, it seems that oil demand is growing faster than meal demand over the longer term. So I guess two parts, I guess. How will that impact your margins over the longer term? Is it going to be lower than historic levels?

And then just secondly, when I look at your margin structure between oilseeds and ag services, like when I think about the North America business, the ag services business margins are much lower. And as you grow bigger in South America and Europe, it sounds like it's bigger on maybe the merchandising in the ag services side of the business. Will that impact your margins longer term as well going forward?

Brent Fenton *- Archer Daniels Midland Co. - President - Europe*

So, I would say I think the first part of your question was about oil demand outpacing, or oil -- the growth from proteins. So, typically what that would do for our business is the impact would probably overall be positive more so for high oil bearing seeds, like a rapeseed or a sun seed crushing operation versus a soybean operation. That would be the -- probably the most obvious impact.

Now, in addition to that, then, of course that produces more mid-protein type meals, et cetera, and less soybean meal, for example. But for the longer term, I mean I think the oil demand certainly is a growth story for the Company. And you're right, it is growing at a fast pace in certain regions, driven primarily by biofuels for the most part. So I think our assets are positioned perfectly to capitalize on that.

Ken Zaslow *Analyst*

A couple of questions - one Is you said before that the global supply of soybeans is enough that you should feel comfortable that it's an adequate supply. So the question that begs to be asked is at what levels would you not believe that's the case? Like, what would we have to be worried about? Like, what would the crops have to be for you to not have the utilization rates that you'd be comfortable with? That would be my first question.

Matt Jansen *- Archer Daniels Midland Co. - SVP, President - Global Oilseeds*

Well what I meant by that is in terms of looking at the carry out situation in the US and where that might be. And so if you get down to, let's say, roughly sub 100 million bushels on a carry in, carry out basis, then here -- [out of beans] technically. And so that's kind of the number to watch.

But it's really a -- there's lots of moving parts that are involved in that. Obviously exports are one in terms of soybean exports. And so but generally the gauge is the carry in, carry out number that -- and we consider that 100 million bushels is out of beans.

Ken Zaslow *Analyst*

And then are you less or more optimistic about the outlook for oilseeds relative to, say, three or four months ago? Which regions are you most optimistic about and which ones are you're more now concerned about? Can you just talk about hat?

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Matt Jansen *- Archer Daniels Midland Co. - SVP, President - Global Oilseeds*

I would say through our comments of earlier this morning, we are generally optimistic about the oilseeds side. The US has got, at least in my view, and Greg touched on that, an optimistic outlook. South America this year is challenged on the reduction in the production down there. I would say I'm most optimistic about North America. Rather than South America or Europe but I don't know if any of the other guys want to chime in on that.

Greg Morris *- Archer Daniels Midland Co. - VP - NA Oilseed*

If you think back to where we were a number of months ago. We were anticipating a big South American crop and an early South American crop. And we didn't get either one of those. With the logistical issues down there has allowed us to extend our export meal programs longer than what we had initially thought. That's helped.

But I think that the real thing that helps me become optimistic about the future is when you look at [board crush] margins today and you look at where they are for new crop. You know, $0.55 today, $0.75 for new crop, something's happening out there. Either people are getting optimistic about back-end of the South American crop year where maybe we pick up some additional exports. Maybe optimistic about biodiesel. I mean there's optimism in the market and it's reflected in board crush.

Brent Fenton *- Archer Daniels Midland Co. - President - Europe*

I might just add just a little bit to that too for the European business these kind of crop dislocations like we have in South America, As you have that kind of a dislocation, that tends to actually be margin positive for European business going forward. Now, we go through this normal kind of a cyclical or seasonal period through the summer, but I would say I'm relatively optimistic about soybean processing margins forward.

Juan Luciano *- Archer Daniels Midland Co. - EVP, COO*

We've got probably time for two more questions before we have to leave for the plant.

Unidentified Audience Member

Is Wilmar considered a regional competitor or global competitor when you did the Asian market share Pie chart?

Matt Jansen *- Archer Daniels Midland Co. - SVP, President - Global Oilseeds*

They're global I think they were about 13% in their capacity in China. 13% to 15% I think is about the number.

Unidentified Audience Member

And since we're In Europe, do you see any effect of the European economic situation or the euro exchange rates? The presumption is no, hasn't come up, but I just thought I'd check since we're here.

Brent Fenton *- Archer Daniels Midland Co. - President - Europe*

I would say not really. I mean we see the same effect that everybody sees every day in the news. I think the general malaise about the economy. But generally from a demand off-take or these kind of things that are major impacts to our business, I would say not.

Ray Young *- Archer Daniels Midland Co. - CFO*

And John maybe just add on to that a little bit. I mean we've been watching the European situation very carefully. Fortunately our footprint is predominantly a northern European footprint in terms of our production as well as our customer base versus the southern European footprint.

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So when we take a look at our -- for example, our receivables exposure profile, we're not that exposed that much towards the southern European countries. And frankly, we've been also managing our exposures very, very carefully. Our counterparty risk with respect to European banks as well. So all in all, I think the team has actually managed through the European turmoil quite nicely we're still going to keep a close eye on it as well going forward.

But I think the fact that our footprint is actually a better footprint for us in terms of managing risk, and then we've been carefully looking at our counterparty exposure, I think we've managed through the turmoil well recently.

Juan Luciano - ***Archer Daniels Midland Co. - EVP, COO***

David you have the Last question, yes.

David Driscoll - ***Citi - Analyst***

I appreciate it. Ray, got to come back to you on this -- on the comments you made on the quarter, just to make sure that I understood that I understood some of the pieces. So you said on corn processing, the entire division that profits in the third quarter would be something like half of the profits that we saw in the second quarter? Is that correct? Is that what you said?

Ray Young - ***Archer Daniels Midland Co. - CFO***

Yes, directionally. I mean, again, I'm taking out the [PHA] charge in the second quarter, but directionally. Again, things can change in the last day of the quarter or the crop report shows up and then that could have an impact on our positions. But directionally, just based upon how ethanol margins have moved in this third quarter, I think directionally I wouldn't be surprised based upon what I see right now that the corn segment operating profit could be directionally half the level that we saw in the second quarter.

Unidentified Audience Member

Okay. So, then, you mentioned that ag services was normal. I think you used the word normal.

Ray Young - ***Archer Daniels Midland Co. - CFO***

I said consistent with historical range of $150 million to $200 million. I don't see anything which would suggest that we'd be out of that range.

Unidentified Audience Member

Okay. So then wrapping it up then, so we've got a fairly significant negative on a sequential basis within corn, I'll call it normal profitability within ag services, and then the final piece is better than expected crushing margins. But I -- it doesn't sound like that positive on crushing would offset perhaps the negative revision on corn processing. Do I have the magnitude of these numbers roughly correct?

Ray Young - ***Archer Daniels Midland Co. - CFO***

We're going to see a sequential improvement. We are going to see a sequential improvement in oilseeds versus first and second quarter. Again, the magnitude, I'm not going to comment on the magnitude. A lot of it's also going to depend on what's going to happen in the month. But consistent with the margin improvements that we've seen on board margins, we are seeing a sequential improvement.

Juan Luciano - ***Archer Daniels Midland Co. - EVP, COO***

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Well, thank you very much. That concludes our Q&A and our webcast. I hope you found this useful to understand our oilseeds business a little bit better. And we thank you very much for your interest in ADM. Thank you very much.

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